

Errata and updates for ASM Exam SRM Study Manual (Second Edition Third Printing) sorted by page

[4/27/2021] On page 303, in the solution to exercise 17.12, replace II with

When a variable is scaled, it is divided by its standard deviation to make the variance 1. Since the first principal component has maximal variance, it will put lower loading on variables with lower variance. The higher the variance of the original variable, the greater the reduction in loading.

Comparing the unscaled and scaled biplots, we see that X3's loading on the first principal component was significantly decreased whereas the loadings of the other variables on the first principal component were increased. We conclude that X3 has the highest variance. ✓